TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2056 - SB 2064

February 8, 2018

SUMMARY OF BILL: Authorizes the Board of Trustees of the Tennessee Consolidated Retirement System (TCRS) to contract with one or more companies for any part of the services necessary for management of the disability retirement program. Authorizes local government's unfunded liabilities to be paid over a period of one fiscal year through an increase in the employer's contribution rate rather than in a lump sum.

Limits the number of retirement applications that a TCRS member may submit to one, even if the member has service credit in multiple plans. Requires certain current and former TCRS members accepting a new position on or after July 1, 2018, to participate in the TCRS.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The proposed legislation could result in a number of fiscal impacts to the administration of the TCRS. Due to unknown factors, the extent and timing of such net fiscal impacts cannot reasonably be determined.

Assumptions:

- Under current law, Tenn. Code Ann. § 8-34-401, TCRS is required to contract with at least one physician to serve as medical advisors.
- TCRS currently contracts with three physicians to review medical records of members applying for disability benefits.
- This legislation will allow TCRS to contract with a company that specializes in making disability determinations.
- Contracting with a company could decrease expenditures for TCRS associated with contracting with physicians and decrease administrative expenditures for TCRS staff that currently collect applications and communicate with members and the contract physicians.
- There would be a corresponding increase in expenditures for TCRS for the cost of contracting with a new vendor.
- TCRS offsets administrative expenditures through the assessment of fees on employers.
- To the extent total expenditures of the TCRS are reduced as a result of this legislation, assessment fees on employers could be reduced. However, to the extent total expenditures of the TCRS increase, assessment fees on employers would need to increase.

- Authorizing unfunded liabilities to be paid over the course of a fiscal year will shift the timing of such expenditures for local government such that the expenditures are spread over the course of a year rather than in one single payment. Local government expenditures within any fiscal year will not change; therefore, the net fiscal impact is estimated to be not significant.
- Filing a single application for multiple plans may result in a recurring decrease in expenditures for TCRS related to processing applications; however, any such recurring decrease is estimated to be not significant.
- Limiting the number of applications filed will not impact liabilities to TCRS.
- Based on information provided by TCRS and codified in 26 U.S. § 414, current and former members cannot opt out of participation in the plan; updating Tennessee Code Annotated to reflect federal law will not change the requirement and will therefore not impact enrollment in or the liability of the TCRS.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista M. Lee

Krista M. Lee, Executive Director

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